

SECRET/RYPAT - TELEPOUCH /IMMEDIATE HANDLING/

DISP NO [REDACTED] 25X1A

*Copy: Recd by TLO
on 7 Feb 68*

DATE - 5 FEBRUARY 1968

FILE NO - NONE

INDEX - NONE

MICROFILM - 25X1A

TO - CHIEF, [REDACTED]

INFO - CHIEF, FAR EAST DIVISION

FROM - CHIEF OF STATION, VIETNAM

SUBJECT - [REDACTED] 25X1C

REF - [REDACTED] 25X1A

1. THE FOLLOWING IS THE PAPER DESCRIBED IN REFERENCE.

2. TO UNDERSTAND THE RATIONALE FOR OR AGAINST [REDACTED] 25X1C

25X1C [REDACTED] SOME BACKGROUND IS NECESSARY. IN 1967, WHICH WAS A POOR CROP YEAR, CAMBODIAN RICE PRODUCTION AMOUNTED TO ABOUT TWO MILLION METRIC TONS WITH AN EXPORTABLE SURPLUS OF ABOUT 150,000 METRIC TONS. AT THE SAME TIME, CAMBODIAN EXPORT COMMITMENTS WERE ESTIMATED TO BE ABOUT 200,000 METRIC TONS. DURING 1967 THE CAMBODIAN GOVERNMENT /RKG/ REPORTEDLY CONTRACTED TO SELL 16,000 METRIC TONS OF RICE TO THE NATIONAL FRONT FOR THE LIBERATION OF SOUTH VIETNAM /NFLSV/. FURTHERMORE, DURING 1967 ILLEGAL EXPORTS OF CAMBODIAN RICE TO THE NFLSV MAY HAVE AMOUNTED TO 50,000 METRIC TONS.

3. IN 1968, CAMBODIAN RICE PRODUCTION IS ESTIMATED TO REACH ABOUT 2.5 MILLION METRIC TONS WITH AN EXPORTABLE SURPLUS OF 454,000 METRIC TONS. IF WE ASSUME THAT CAMBODIA WILL CONTRACT TO EXPORT AT LEAST THE SAME AMOUNT IN 1968 AS IN 1967, THERE WILL BE AT LEAST 254,000 METRIC TONS AVAILABLE FOR CAMBODIA TO SELL ELSEWHERE. THE IW, INCLUDING VC/NVA MAIN FORCE, LOCAL FORCE, COMBAT SUPPORT, POLITICAL CADRES, AND MILITIA, HOWEVER, CONSUME ONLY AN ESTIMATED 55,000 - 80,000 METRIC TONS OF RICE PER YEAR.

SECRET RYPAT [REDACTED] 25X1A

SECRET RYBAT [REDACTED] 25X1A

4. [REDACTED] WILL 25X1C

NOT WORK WELL UNTIL THE RKG CRACKS DOWN ON SMUGGLING AND ON
CORRUPT AND INEFFICIENT PUBLIC OFFICIALS. UP TO THE PRESENT
TIME THE RKG HAS DONE LITTLE TOWARDS THIS GOAL. ALTHOUGH ONE
REPORT FROM KANDAL PROVINCE STATED THAT THE INCUMBENT OFFICIALS
HAD BEEN REPLACED AND THAT SMUGGLING OPERATIONS HAD BEEN SOMEWHAT
REDUCED, NUMEROUS REPORTS OF COMPLICITY OF CAMBODIAN CUSTOMS
AND MILITARY OFFICIALS IN SMUGGLING GOODS TO SOUTH VIETNAM ARE STILL
BEING RECEIVED.

5. REFERENCE [REDACTED] STATED THAT "CAMBODIA 25X1A
HAD RICE TO SELL AND WAS PREPARED TO SELL IT TO ANYONE WHO WANTED
TO BUY ..." RATIONALLY, BOTH THE CAMBODIAN GOVERNMENT AND THE
SMUGGLERS WANT TO MAXIMIZE THEIR PROFIT. SINCE BOTH SOUTH VIET
NAMESE MARKET PRICES AND THE VC BUYING PRICE ARE HIGHER THAN THE
CAMBODIAN OFFICIAL AND FREE MARKET PRICES, CAMBODIAN RICE WILL
NATURALLY FLOW INTO SOUTH VIETNAM.

6. CONSEQUENTLY, WITHOUT EFFECTIVE BORDER CONTROL AND ASSUMING
THAT THE VC WILL CONTINUE TO OFFER A SOMEWHAT HIGHER PRICE FOR
RICE, RICE WILL CONTINUE TO FLOW INTO VC HANDS DESPITE ANY [REDACTED] 25X1C

[REDACTED] 25X1C

7. THIS MEMORANDUM HAS BEEN READ BY MR. COOPER, ECONOMIC
COUNSELOR, WHO CONCURS. /END OF MEMO.

[REDACTED] 25X1A

DISTRIBUTION

2 - C [REDACTED] 25X1A

1 - C/FE VIA TP

SECRET RYBAT [REDACTED] 25X1A

BT * PORTION SERVICED